Mississippi Department of Revenue

Sales Tax Applicable to Purchases by Farmers

Sales Tax
Technical Bulletin
TB 72-501-26-1

PURPOSE & SCOPE

Farmers are allowed a reduced sales tax rate on farm tractors, implements, and related repair parts and labor provided these items are used for agricultural purposes. Additionally, certain items commonly purchased by farmers may be entirely exempt from sales tax. The purpose of this bulletin is to clarify which items qualify for the reduced rate or exemption and offer guidance on correct tax application.

RFERENCES:

Miss. Code Ann. Section 27-65-17. The Department of Revenue has published a rule that deals with agriculture that can be found on our website under Mississippi Administrative Code Title 35, Part IV, Subpart 08, Chapter 02 Agricultural.

Discussion of Taxability

Mississippi Sales Tax Law provides a reduced rate of sales tax for farm tractors and farm implements. There is a requirement that such tractors and implements must be sold to farmers for agricultural purposes. The reduced rate provided is 1.5%, and this rate covers the sales of the tractors and implements, as well as sales of parts and labor used to maintain and/or repair such equipment. Sales of tractors or implements to anyone other than a farmer are taxable at the rate of 7%.

Commercial farmers may obtain a Commercial Farmer Permit and present the certificate to vendors to be eligible for the reduced 1.5% sales tax rate on purchases of farm tractors, farm implements and parts and labor for the repair or maintenance of farm tractors and farm implements used for agricultural purposes. Commercial farmers may apply for the Commercial Farmer Permit through Taxpayer Access Point (TAP) on the Mississippi Department of Revenue website (https://tap.dor.ms.gov/_/). Retailers can verify Commercial Farmer Permits on the Mississippi Department of Revenue TAP website under Tools and Verify a Permit Number.

The Department of Revenue has also published an *Affidavit of Commercial Farmer Purchasing Farm Tractors or Farm Implements*. This affidavit may be used instead of the Commercial Farmer Permit for a single transaction. This single transaction form is to be completed by a farmer who is purchasing tractors or implements when claiming the reduced 1.5% rate for farm tractors and farm implements to be used in the production of agricultural products on a commercial scale for market. By signing the affidavit, the farmer is agreeing that if the tractor or implements are not used in the manner required by law to qualify for the reduced rate, the farmer will be responsible for remitting the difference between the 1.5% reduced rate and the 7% regular retail rate, plus a 50% fraud penalty and any applicable interest.

Definitions

Farmer means an individual or company who grows agricultural products for market on land owned or leased by such individual or company. It does not include contract or custom harvesters.

Agricultural Products include field crops, horticultural products, livestock and livestock products, poultry and poultry products, domesticated fish and fish products, dairy products and any other agricultural product of the soil or water produced on a commercial scale for market.

Agricultural Purposes means the predominant or exclusive growing or raising of agricultural products on a farmer's own land or land leased by the farmer for growing or raising agricultural products.

Farm Tractors are self-propelled equipment which performs no farm function within itself other than to move, draw or furnish power to other implement(s) attached. Includes parts used to maintain or repair tractors.

Farm Implements are complete units that perform a specialized mechanical function and which are identifiable as a specific piece of equipment that is ordinarily and customarily used on a farm. Includes parts used to maintain or repair implements. Hand tools are not considered farm implements.

Items Eligible for the 1.5% Reduced Rate:

- Aerators
- All-terrain vehicles (ATV) and utility task vehicles (UTV) – see below
- Applicators (self-propelled or tractor drawn)
- Broadcast spreaders
- Cattle chutes
- Combines
- Cotton bale spears
- Cotton balers
- Cotton pickers
- Cultivators
- Farm trailers (cannot be for road use) – without motive power, designed to carry property and is drawn by a farm tractor
- Feeding systems, watering systems, heating and cooling systems used in the production of poultry, fish or livestock
- Feeding wagons
- Fertilizer distributors
- Gates and fencing materials for containment of livestock
- Generators
- Grain augers

- Grain carts with built in grain augers
- Grain dryers
- Harrows (disc, spike-tooth, spring-tooth)
- Harvesters
- Hay bale spears
- Hay balers
- Hay rakes
- Hay tedders
- Irrigation systems (sprinklers, center pivots, hydroponics, drips)
- Loaders
- Manure spreaders
- Milking machines
- Plows (moldboard, chisel, disc)
- Seeders
- Seed drills
- Skid steers
- Sprayers or dusters
- Stationary power units
- Subsoilers
- Tractors
- Tillers
- Transplanters
- Other equipment meeting the definition of Farm Implement
- Repair part and maintenance items for the above equipment including but not limited to hydraulic fluid, hydraulic lines, freon, oil, grease, filters, tires, staters, alternators, water pumps, thermostats, and batteries.

Anyone wishing to purchase an ATV or UTV at the reduced rate MUST complete an Affidavit for the Purchase of ATV or UTV for Farm Use attesting to the fact that he/she is a farmer and the equipment purchased will be used for agricultural purposes. This affidavit must be completed for EACH ATV or UTV purchased where the farmer is claiming the reduced 1½% rate.

Items that are Exempt from Tax

All sales of the following are exempt from tax when sold to anyone in any amount:

- Seeds (includes tomato and potato slips)
- Livestock feed (does not include products marketed as Deer Corn)
- Poultry feed
- Fish feed
- Fertilizer

- Lime used for agricultural purposes
- Mules, horses, honeybees and other livestock

All sales of the following are exempt from tax when sold to farmers or producers with a Commercial Farmer's Permit:

- Antibiotics, hormones, drugs, medicines, serums and vaccines, vitamins, minerals or other nutrients for use in the production and growing of fish, livestock, and poultry
- Defoliants, insecticides, fungicides, herbicides and baby chicks used in growing agricultural products for market
- Bagging and ties for baling cotton, hay baling wire and twine, boxes, bags and cans when sold to persons for use in growing or preparing agricultural products for market
- Ice to producers for use in the refrigeration of vegetables for market

Sales of any of these items for use on lawns or home gardens are taxable at the rate of 7%.

Items Not Eligible for the Reduced Rate or Exemption

There are various miscellaneous supply items and small equipment purchases that do NOT qualify for the reduced rate of tax even when sold to a farmer for farm use. Examples of these items include:

- Batteries for household or shop use
- Bug or rodent poison for buildings; insect repellants
- Car washes or wash supplies
- Cleaning supplies including shop towels and rags
- Concrete mix
- Flashlights and other handheld lights
- Gas cans or other containers
- Garden tractors
- Gloves, hats and other clothing items
- Hand tools
- Hand wipes or other personal cleaning products
- Lawn mowers
- Leaf blowers and handheld rakes
- Manual posthole diggers
- Nails, zip ties or other materials used to fasten or secure items
- Parts or labor used to repair or maintain vehicles which are required to be tagged for road use (includes tires)
- Pet food
- Pine straw
- Power saws and other power tools
- Storage bins which provide no function other than storage

- String trimmers
- Trailers for highway use or any other vehicle which is required to be tagged